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Latest Group Outlook Survey from Prime Advantage Indicates Revenue and Capital Spending Projections are Among Top Economic Concerns in 2009

But Signs of Optimism Seen in Strong Commitment to New Product Development, as Revealed in Study Results from Manufacturers' Buying Group

CHICAGO, April 14, 2009 - Prime Advantage, the leading buying consortium for midsized industrial manufacturers, announced the findings of its third *Group Outlook Survey*, revealing the top economic concerns of midsized industrial manufacturers, as well as an opportunistic outlook for 2009 and beyond. Survey findings reveal not only that industrial manufacturers are prepared for another tough year in 2009, but that they are counting on the conservative measures taken over the past couple years to help carry them through to better times by year end.

Among the highlights of the survey findings, 87 percent expect to introduce new products in 2009, even as 62 percent of respondents are also expecting some level of revenue decline in 2009. And even as most raw material costs continue to drop, managing these costs continues to be a top priority for manufacturers that are coping with varying degrees of revenue shortfalls.

Survey data was collected in late February from 103 representatives of industrial manufacturing companies, including business owners, vice presidents of procurement and purchasing professionals.

"This is our third *Group Outlook Survey*, and it offers unique insight into the concerns of midsized industrial manufacturers," said Louise O'Sullivan, president and founder of Prime Advantage. "This survey also serves as a strong reminder of the many economic benefits that can be achieved, both immediate and long-term, from strategic sourcing."

Economic Outlook

Twenty-eight percent of respondents expect revenue to stay the same as 2008, while six percent expect revenue to increase *up to* ten percent and only three percent expect an increase of *more than* ten percent. Among the 62 percent that anticipate revenue declines, 37 percent of these reported that they expect revenues in 2009 to decrease *up to* ten percent, in comparison to 2008, while another 25 percent expect revenues to decrease *more than* ten percent.

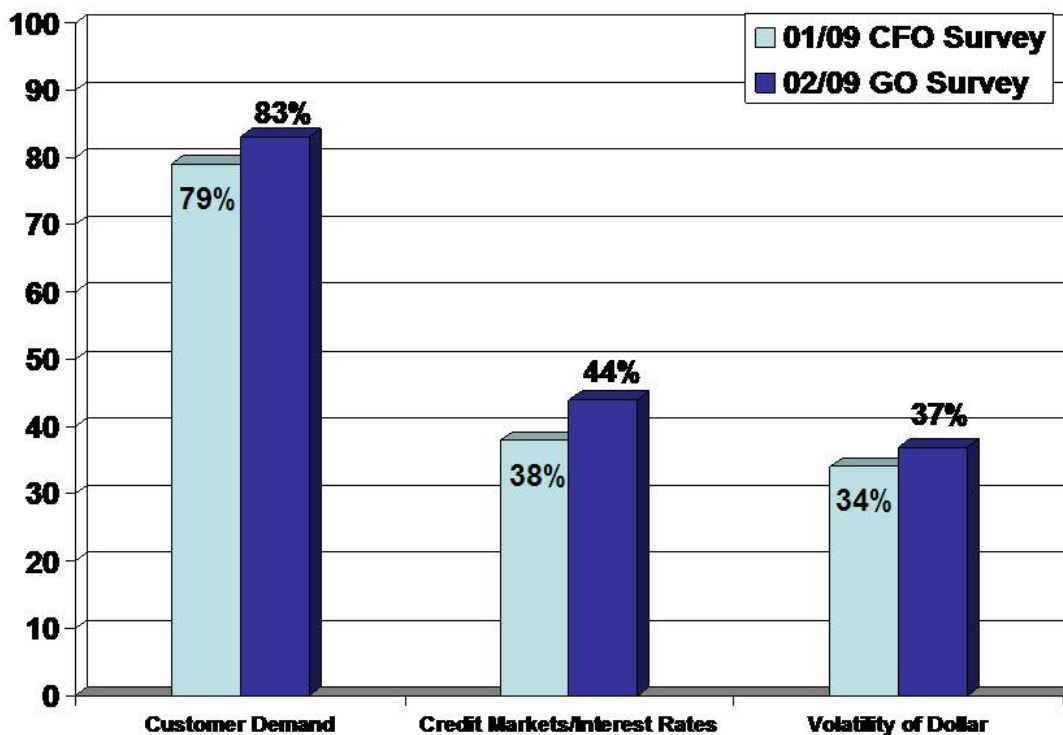
This is in agreement with other business indexes, such as ISM data that shows the PMI stuck in the mid-30s for the past three months and with U.S. Department of Commerce trade data that shows the export of U.S. manufactured goods fell 20 percent in January 2009, as compared to one year earlier.

Sixty-six percent said capital spending for U.S. locations, including significant capital improvements or new purchases of property or equipment, is expected to decrease from 2008 levels. This is nearly identical to the responses garnered from Prime Advantage's [Group CFO Survey](#) that was conducted in January, when 69 percent of manufacturing CFOs said they expected cutbacks in capital improvements this year.

Thirty-four percent expect capital spending to be equal to or more than 2008 spending amounts.

The top external concern facing manufacturing is customer demand at 83 percent. 'Credit markets and interest rates' was the next greatest concern, with 44 percent reporting, and volatility of the dollar came in as the third most frequently listed concern at 37 percent. Again, the top external concerns mirrored the results of Prime Advantage's *Group CFO Survey*, where the inability to measure customer demand ranked as the top external concern at 76 percent, while credit markets and interest rates came in second (38 percent) and volatility of the dollar came in third (34 percent).

Comparison of External Concerns Facing Midsized Manufacturers



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Graphic: In two separate surveys conducted in Q1 '09, one of CFOs for manufacturers, and one of a broader range of manufacturing executives, we find tremendous alignment of opinion on their projections of the top external concerns facing midsized manufacturers in the U.S.

Top Expected Cost Pressures for 2009

For the third *Group Outlook Survey* in a row, raw material costs (such as metals and plastics) are the top cost pressure concern, as cited by 67 percent of survey respondents. This has come down from the last survey, when 93 percent mentioned it as the top cost pressure concern in July 2008.

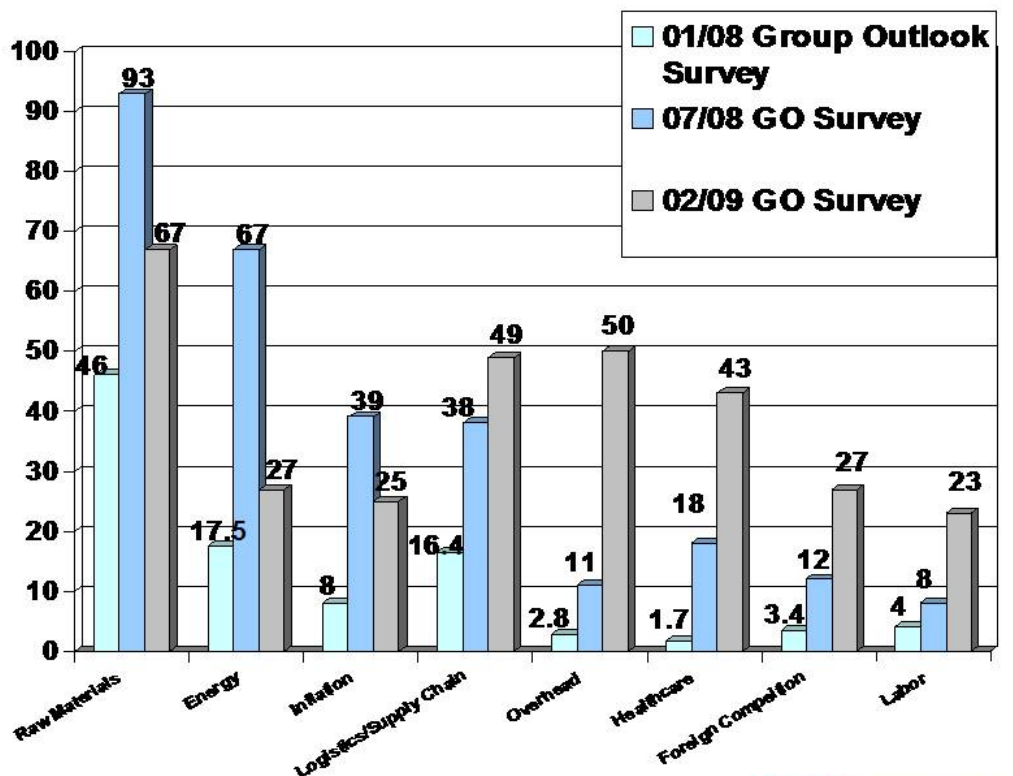
Overhead costs ranked as the second greatest cost pressure at 50 percent (and up 39 percent from the July 2008 *Group Outlook Survey*, when it was cited by just 11 percent of respondents). Logistics/supply chain costs continue to rank among the top three concerns, with 49 percent in agreement.

Other cost pressure concerns in 2009 include healthcare (43 percent), energy (27 percent), foreign competition (27 percent), inflation (25 percent) and labor (23 percent).

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While there is great concern about the costs of raw materials, 93 percent of the respondents still expect raw material prices to continue falling over the next six months. A majority expects similar results for the price of components (72 percent) and supplies (56 percent).

Comparison of Cost Pressures for Midsized Manufacturers in 2008 vs. 2009



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Graphic: In 3 separate surveys of manufacturing executives, conducted in Jan., '08, July '08 and Feb. '09, we see the shift in focus as it relates to the top cost pressures facing midsized manufacturers in the U.S.

Purchasing and Sourcing Priorities

The Prime Advantage Group Outlook Survey also revealed top sourcing concerns for 2009. Forty-five percent said the costs and sources of raw materials is their top concern, while 64 percent agreed that a focus on consolidating vendors was the lowest concern for 2009.

Outside of competitive pricing, 91 percent of manufacturers will be asking vendors to provide vendor managed inventory or consignment agreements in order to boost cost savings in 2009. In addition, 41 percent would like their vendors to assume more R&D responsibility and costs, while 38 percent want to see business process cost reduction steps implemented (including electronic transactions, print-on-demand and outsourcing administrative functions).

Planning for the Future (and Upturn)

In spite of the tough economic conditions, optimism remains for the future as a majority of Prime Advantage members plan on introducing new products to market this year. In total, 87 percent of respondents will be introducing new products in 2009, while 70 percent so far have plans to introduce new products in 2010.

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This echoes findings from Prime Advantage's *Group CFO Survey* published in February, as 31 percent of CFO respondents reported an increase of new product development budgets from 2008 levels with 17 percent of respondents predicting development of new products or services to meet new customer needs.

"The development of new products is a strategic growth direction for our business and helps demonstrate to our customers that we continue to change to meet their specific needs," said Tommy Short, director of purchasing, Amerex Corporation, a manufacturer of hand portable and wheeled extinguishers for commercial and industrial applications. "We continue to diversify our offerings due to the tough economic climate we are all facing. We planned ahead for this in the previous years by setting aside the resources needed to introduce new products this year." Amerex Corporation is based in Trussville, AL and is a member of Prime Advantage.

Methodology: In February, Prime Advantage surveyed executives and purchasing professionals that represent durable goods manufacturing firms, with annual revenues ranging between \$10 million and \$10 billion, of which the majority ranges between \$20 million and \$500 million. The survey received a 29 percent response rate from 358 executives representing U.S.-based manufacturers in more than 25 different industries, including commercial foodservice, packaging, truck and trailer, material handling, food processing and construction.

Since its inception, Prime Advantage has returned more than \$75 million in rebates and discounts to its members. These real savings are helping U.S. manufacturers gain a powerful competitive advantage in the face of economic instability.

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About Prime Advantage

Founded in 1997, Prime Advantage is a buying consortium for industrial manufacturers with more than 550 members and more than 110 endorsed suppliers. For more information on Prime Advantage, visit the website at www.primeadvantage.com.